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AUTHOR Thompson, Fred A.
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ABSTRACT

These sets of behavioral objectives for junior college economics courses were written to serve as a guide to instruction, a student guide to learning, and a basis for evaluation. The objectives are offered as samples that may be used where they correspond to the skills, abilities, and attitudes other instructors want their students to acquire. They may also serve as models for assisting instructors to translate their own courses into specific measurable terms. For other objectives in a related course see: ED 033 691 (Economics [first semester]). (MB)

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# Instructional Objectives for Junior College Courses in Economics: Principles of Macroeconomics and Principles of Microeconomics

Fred A. Thompson
Professor of Economics
Riverside City College
Riverside, California

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CLEARINGHOUSE FOR
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INFORMATION

ECONOMICS I

# Principles of Macroeconomics

## Specific Behavioral Objectives

## Appropriate to Specify Learning Outcomes in Macroeconomics

This set of behavioral objectives was written to serve as, 1) a guide to instruction, 2) a student guide to learning, and, 3) to serve as a basis for evaluation.

Fred A. Thompson
Professor of Economics
Riverside City College
1969 (Second Draft)

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Unit I.

Students shall:

1. Explain why the study of economics is important to a person in the various roles he plays in life.

2. Identify scarcity as the basic economic problem of every society.

3. Enumerate the two interrelated conditions which give rise to the fact of scarcity: minkind's unlimited demand for goods and services, and society's limited resources available for the production of goods and services.

4. Explain the procedure used by economists in their study of economics.

5. To develop a testable hypothesis in the area of macroeconomic theory or policy.

    a. Be able to define the term hypothesis in one sentence.
    b. Be able to make an outline of the steps in formulating and testing a hypothesis.
    c. Be able to define the term correlation, as used in statistics, in one sentence; be able to distinguish simple from multiple correlation.
    d. Be able to make a one sentence provable hypothesis statement in the area of macroeconomic theory or policy.
    e. Be able to take a scientific article from an economics journal and write an essay based on the content of the journal article following the outline below:

        1) First paragraph contains hypothesis statement, identification of independent and dependent variables and their definition.
        2) Second paragraph contains a description of the expected cause and effect relationships.
        3) Third paragraph contains the theoretical (logical support for the hypothesis including quotations from authorities.
        4) Fourth paragraph contains the identification of other possible independent variables that could determine or affect the dependent variable.
        5) Fifth paragraph contains a statement as to the type of empirical method which is used to test the hypothesis.

f. Using your hypothesis statement developed in (d) above as a basis, write a five paragraph essay following the outline in (e) above. (Note: for part 4), at least three other possible independent variables should be identified.)

6. To collect and evaluate usable quantitative data which would be used to test the hypothesis.

   a. Be able to distinguish time series from cross-section data and know strengths of each type.
   b. Be able to define the following statistical concepts related to regression (correlation) analysis:

      1) confidence intervals or limits.
      2) co-variation
      3) serial correlation
      4) statistical significance of results
      5) coefficient of determination or explained variation.

   c. Be able to define and describe the "ideal" data set for each of the concepts contained in your hypothesis statement.
   d. Be able to precisely define the several data series actually available to measure the concepts contained in the hypothesis statement.
   e. Be able to suggest some additional "proxy" series which may serve in place of "ideal," but nonexistent series.

7. Differentiate between economic policy and economic analysis. Illustrate each.

8. Explain why economics is considered a social science and how it is related to other social sciences.

9. Define a model as used in business and economics.

10. Describe the dangers involved in using models.

11. Explain and illustrate the concept "other things being equal or constant."

12. Construct a graph giving a schedule of values.

13. List the economic goals of American Capitalism.

14. List and explain at least eight pitfalls encountered in deriving and applying economic principles.

15. Draw and explain the production possibilities curve.

16. Given a production possibilities schedule, students shall construct a production possibilities curve and identify:

    a. any point below the curve as a level of output where there are unemployed resources.
    b. and point above the curve as unattainable for an economy with its present quantity and quality of productive resources.
    c. any move along the curve as involving giving up units of one type of good in order to gain units of another type of good.
    d. any upward shift in the curve as representing an increase in the quantity and/or quality of productive resources.

17. List and explain the Five Fundamental Economic Questions.

18. Explain how other economic systems answer the Five Fundamental Questions.

19. List the categories of economic resources.

20. List and define the four factors of production (land, labor, capital and entrepreneurship).

21. Given a problem involving limited resources and alternative uses for these resources, students shall demonstrate the need for economizing.

22. Differentiate between real (opportunity) cost and money costs.

23. Identify the real cost of producing more units of a product as the alternative products foregone.

24. Distinguish between capital goods (man-made resources used in the production of other goods and services) and consumer goods (products and services used directly to satisfy human wants).

25. Differentiate between production and productivity, enumerating that the former refers to the creation of goods and services which satisfy human wants and that the latter is concerned with the rate of output per unit of input.

26. Explain the law of increasing cost.

27. Define economics.

28. Describe the basic economic problem.

29. Explain what is meant by "economizing" our resources.

30. Relate the production possibilities curve to other economic systems.

31. Differentiate between unemployed and underemployed.

32. Define laissez-faire.

33. Explain optimum product-mix and explain why it is not purely a problem of economics.

34. Define "entrepreneur" and give the functions of the entrepreneur.

35. List and explain the characteristics or institutions of pure capitalism.

36. Identify competition, the profit motive, and market prices as the essential elements of a market system.

37. Differentiate between market and command economic systems, recognizing that the latter is characterized by the allocation of resources according to an economic plan developed by some controlling agency.

38. Identify consumer demand as the major determinant of the type and quantity of goods produced in a market system.

39. Identify economic efficiency in production of goods and services as the least cost combination in terms productive resources required.

40. Identify profits as the basic incentive for effecient production and as the reward to entrepreneurs for responding to consumer demands.

41. Explain why the distribution of income depends on the amount and productivity of resources owned by individuals.

42. Analyze and list the effects of increased consumer spending for a particular product.

43. Identify increased production from a given quantity of productive resources as the logical consequence of improved technology.

44. Compare and contrast the current U.S. economic system to a "pure" market system in terms of competition, free market prices, and government expendituresand control.

45. Identify the major function of the entrepreneur as organizing the other factors of production in the most efficient manner to produce those goods demanded by consumers in the market place.

46. Identify an unequal distribution of income as a logical consequence of the market system.

47. Identify competition and self-interest as the major organizers in a market system.

48. Identify the real cost of a junior college education as the earnings and leisure time activities foregone.

49. Explain how our modern capitalism differs from pure capitalism.

50. Define mixed capitalism.

51. List and explain the characteristics or institutions that are essential to all modern economics.

52. Give an illustration of the application of specialization.

53. Give three advantages of specialization.

54. List and explain, using illustrations, the functions of money.

55. Identify the money supply of the United States as consisting of coins, currency, and checking deposits.

56. Recognize and identify the functional utility of money as a medium of exchange, a unit of account, a store of value, and a measure of value.

57. Given a list of money transactions, students will be able to identify the functional use of money in each situation.

58. Explain and illustrate by a sketch the circular flow of wealth.

59. Be able to distinguish between the product and factor flows.

60. Define absolute and comparative advantage.

61. Relate specialization to the efficient allocation of scarce resources.

62. Differentiate between real flows and money flows in regard to the circular flow model.

63. Show the effect of savings and business investment on the circular flow.

64. Show the effect of taxes and government spending on the circular flow.

65. Explain "demand" and "changes in demand."

66. Explain "supply" and "changes in supply."

67. Explain how supply and demand determine market price.

68. Explain the interrelationship between scarcity and substitution.

69. Explain how the price system answers the five Fundamental Questions.

70. Define "dollar votes" and consumer sovereignty.

71. Give the basic arguments for and against the price system.

72. Describe the major deviations of the price system of American capitalism from the economist's model price system.

73. Define functional and personal distribution of income.

74. Describe how the relative share of the functional categories has varied with time.

75. Differentiate between absolute and relative shares.

76. Describe how income is distributed among households.

77. Describe how relative shares of personal income going for taxes, consumption expenditures and savings has varied with time.

78. Differentiate between flows and stocks of personal savings.

79. Distinguish between durable and nondurable goods.

80. Explain the reason for greater variability in the demand for durable goods than in the demand for nondurable goods.

81. Differentiate between "pure capitalism" and "mixed capitalism."

82. Give and explain the functions of government that tend to strengthen and facilitate the operation of the price system.

83. Give and explain the functions of government that supplement and modify the operation of the price system.

84. Differentiate between "social costs" and "private costs," between "social revenues" and "private revenues."

85. Differentiate between "divisible" and "indivisible" goods. Give illustrations of each.

86. Describe the major obstacles that have a bearing on the government's effectiveness in carrying out its economic functions.

87. Explain the fallacy of limited decisions.

88. Distinguish among firm, plant, and industry.

89. Explain the meaning of single proprietorship, partnership, and corporation, in terms of number of firms, size of firms, number of owners, and the extent of the owners liability for debts of the firm.

90. Describe the relationship to the company of common stockholders, bond holders and preferred stockholders.

91. Describe the absolute and relative changes in government spending and taxation.

92. Give and describe the major tax classifications of the government sector.

93. Give and describe the major expenditure classifications of the government.

94. Be able to list, explain and identify the main elements in the U. S. budget.

95. Be able to distinguish between the cash budget and the administrative budget, tell what each is, what it contains, and how it differs from the other.

96. Give the major sources of tax receipts of federal government and indicate the relative importance of each.

97. Give the major categories of expenditures of the federal government and the relative importance of each.

98. Define "transfer payments."

99. Define, and give the rationals for intergovernmental grants.

100. Describe what is meant by progressive, regressive and proportional taxes.

101. Distinguish between "benefits received" and "ability to pay" principles of taxation. Give an illustration of each.

102. Explain why the base used is important in determining whether taxes are progressive, regressive, or proportional.

103. Explain the meaning of shifting and incidence of taxes.

Unit II

Students Should:

1. Define the four sectors in the economy: (a) business, (b) government, (c) households, and (d) foreign.

2. Explain the need for and use of national income accounting.

3. Repeat and briefly explain the four reasons why we measure GNP: (a) to find out where we are, (b) to find out where we are going, and how fast (growth), (c) to find out how we compare to other economies, and (d) to determine how best to lead the economy.

4. Define gross national product.

5. Identify the components of and calculate national income.

6. Identify the components of and calculate net national product

7. Identify the components of and calculate gross national product using both the income and product flows.

8. Distinguish between the two approaches in determining the GNP

9. Calculate the gross national product given the various expenditures.

10. Repeat the GNP equation for the four types of expenditures and be able to define each of the sectors and what it includes.

$$GNP = C + I_g + G + NFI$$

11. Define each category of expenditures.

12. Distinguish between gross and net private domestic investment

13. Differentiate between the meaning of the terms investment as used in Economics and as used in finance.

14. Describe the effect of changes in inventories on investment.

15. Define each national income account making up the gross national product.

16. Calculate the various national income accounts given the values of the various components.

17. Define the various income and non-income categories used in the income approach in national income accounting.

18. List and define the four major categories of imputed values included in GNP: (a) Rent, (b) Wages (in kind), (c) Farm consumption, and (d) Value of services of financial institutions less interest income of banks.

19. Break the GNP down into sub-accounts given the values of the various components.

20. Explain why national income accounts must be adjusted for price changes.

21. The student will understand what a price deflator is:
(a) Be able to give an example of it (formula and verbally)
(b) Be able to apply a price deflator to a figure, and
(c) Be able to compute a price deflator from price data.

22. Calculate a price index given relevent data.

23. Adjust GNP for changes in price level.

24. Explain the meaning of "double counting" in calculating the output of the economy.

25. Define non productive transactions and state why they are excluded from the GNP.

26. Be able to list and define the 6 major categories of things left out of measured GNP: (a) Non-market transactions, (b) Value of leisure, (c) improved product quality, (d) Capital gains andlosses, (e) Transactions in existing goods, and (f) Illegal transactions.

27. Describe the major shortcomings of the GNP as a measure of national economic well-being.

28. Describe the relationships between spending, employment, and price level.

29. Describe the effect of an increase in the demand for goods and services during a period of unemployment.

30. Distinguish between bottleneck inflation andpure or demand-pull inflation.

31. Define "inflation" and "deflation."

32. Explain the effects of inflation on the distribution of current income.

33. Explain the effects of inflation on the distribution of wealth (i.e., accumulated savings.)

34. Define hyperinflation.

35. Write an analysis of the effect of serious deflation or unemployment, include a discussion of both economic and non-economic costs.

36. Define creeping inflation and give the major arguments for and against it.

37. Name and describe the phases of the business cycle.

38. Give a brief history of business cycles since World War I, include the contributory events attributed to the major cycles.

39. State the major business cycles theories.

40. Describe the three major types of business cycles as to the length, severity, and cause.

41. State briefly Say's Law.

42. Contrast the classical and Keynesian economics.

43. Explain how the fallacy of composition undermined classical economic theory.

44. Define private investment expenditures.

45. State the determinants of investment spending and briefly explain how each effects investment spending.

46. Given savings and investment schedules, construct savings and investment graph.

47. Given a change in the savings schedule (either increase or decrease) indicate the change on the graph instructed above.

48. Give the major reasons for instability of investment and a brief explanation of each.

49. Be able to explain the difference between induced and autonomous spending.

50. Be able to identify autonomus factors that influence investment spending.

51. Be able to identify income as the important factor determining the level of consumption spending.

52. Be able to identify the propensity to consume given an income and consumption schedule.

53. Be able to identify and explain the marginal propensity to consume given an income and investment schedule.

54. Be able to identify total investment spending plus total consumer spending as aggregate demand, assuming there is no government.

55. Be able to identify investment as an injection into the income flow.

56. Be able to identify savings as a leakage from the income flow

57. Be able to identify equilibrium income where savings and investment are equal.

58. Be able to identify equilibrium as the same gross national product.

59. Be able to explain the Immediate effect on income when new autonomous investment is injected into the income flow.

60. Given the marginal propensity to consume, be able to explain how new spending injected into the income flow can have a multiple effect on the level of income.

61. Be able to identify 1 divided by 1 - mpc as the formula for finding the multiple effect.

62. Be able to calculate the multiplier given the mpc or mps.

63. Given the mpc and a change in spending, be able to calculate a new level of equilibrium income.

64. Explain the relationship of consumption expenditures and savings to disposable income.

65. Construct a graph of a consumption-saving schedule.

66. Define the consumption function and the savings function.

67. Define the average propensity to consume and average propensity to save.

68. Given a consumption schedule, determine the marginal propensities to consume and save.

69. Given a savings schedule, determine the marginal propensity to save.

70. Explain the purpose of the 45° curve used in conjunction with the expenditures curve.

71. Distinguish between, and illustrate on a graph, the effect of a change in the amount consumed and a change in the consumption schedule.

72. List and explain the non-income determinants of consumption and saving.

73. Define the equilibrium level of NNP.

74. Given aggregate demand and aggregate supply schedules construct a graph and indicate the equilibrium level of NNP.

75. Given savings and investment schedule construct a graph and indicate the equilibrium level of NNP.

76. Distinguish between planned investment and actual investment.

77. Given any marginal propensity to consume, or save, calculate the multiplier.

78. Using the multiplier, calculate the change in equilibrium income as a result of a given change in aggregate demand.

79. Using the multiplier, calculate the changes in equilibrium income as a result of a given change in investment; a given change in savings.

80. Explain the significance of the multiplier effect.

81. Explain the accelerator principle.

82. Explain the cause and significance of the up-sloping investment curve.

83. Explain the effect that the accelerator principle, or induced investment has on income.

84. Describe the effect of the multiplier and accelerator during periods of revival or expansion and during periods of contortion of the eonomy.

85. Explain and demonstrate, using a graph, the paradox of thrift

86. Show on a graph and explain the meaning of the deflationary gap.

87. Show on a graph and explain the meaning of the inflationary gap.

88. Explain the effect on the economy if householders attempt to increase their rate of savings during a period of recession.

89. Show the relationship between the level of employment and changes in the amount of spending.

90. Define Fiscal Policy.

91. Be able to distingusih between the two anti-cyclical devices monetary and fiscal policy.

92. Be aware of the two facets of fiscal policy -- expanding or contracting spending in the public sector or in the private sector through raising or lowering tax rates.

93. Be able to differentiate between discretionary fiscal policy and built-in stabilizing fiscal policy.

94. Understand that an increase in government spending has a multiplied effect on the economy as does an increase in investment.

95. Describe the responsibility given the Federal Government as a result of the Employment Act of 1946.

96. Understand that it is only since 1946 that the government has been officially committed to maintaing full employment and price stability.

97. Show on a graph, and calculate using the multiplier, the effect of changes in government spending and government taxes on equilibrium income.

98. Demonstrate, using a graph, the effect on an increase, and a reduction, of personal income tax on equilibrium income.

99. Define discretionary and nondiscretionary fiscal policy.

100. Explain the balanced budget multiplier.

101. State the two fiscal powers of the government that are the basis of its fiscal policy.

102. Describe the use of fiscal powers against recessions and unemployment.

103. Give and explain the major tools of nondiscretionary fiscal policy.

104. Explain the meaning of built-in stabilizers in relation to nondiscretionary fiscal policy.

105. State various expenditure policies that might be used to counteract unemployment and describe the merits of each.

106. State and explain two important problems connected with the use of fiscal policy.

107. Explain the effect of tax cuts vs increased spending in counteracting unemployment.

108. Describe some of the major practical problems to stabilizing the economy.

109. Explain the problems of timing and politics on short run flexibility.

110. Explain the unemployment-inflation dilemma via aggregate supply and demand (total spending on vertical real output on horizontal).

111. Realize the trade off problem between price stability and a high level of employment represented by such devices as the Phillips curve so that he realizes that fiscal policy must be tempered by where one wishes to be on this trade off.

112. Have a realization that the basic obstacles to discretionary fiscal policy effectiveness are political rather than economi - i.e. raise taxes in an election year.

113. Understand that to carry out discretionary fiscal policy the government must unbalance its own budget to balance the econo

114. Realize that the effectiveness of fiscal policy depends upon a correct analysis of where the economy is on the economic cycle.

115. Distinguish between the two types of automatic stabilizers personal and corporate income taxes and government transfers and subsidies and describe how they mitigate fluctuations in the economy.

116. Be able to critically appraise the relative advantages of the use of tax rate manipulation and government spending change t bring a desired effect into the economy.

117. Realize that because of the higher multiplied value of government spending that a spending and tax rate increase of the same amount will have an expansionary effect on the economy and be able to correctly label this as the balanced budget multiplier.

118. Be able to discuss the validities of the three theories of balancing the budget as the annually balanced budget, the cyclically balanced budget and the budget balanced only at full employment.

119. Be aware of the problems of fiscal drag and full employment surplus in the economy.

120. Gain a comprehension of what is meant by the burden of the debt, for instance:

(a) If the debt is growing but GNP is growing more rapidly, the debt as a percentage of GNP is becoming less and less.
(b) The burden of the debt is in terms of foregone production today -- not tomorrow as long as it is domestically held.
(c) Private debt is rising more rapidly than public debt.

121. Be aware of the disadvantages of a large national debt, for instance:

(a) Destruction of growth incentive if a large portion of taxes must be used to pay the interest on the debt.
(b) Conflict with monetary policy if a large amount of a deficit is financed through sale of bonds.

122. Recognize the unstablizing effect of changes in government spending due to external involvement such as the Viet Nam war

123. Give and explain the three budget philosophies.

124. Explain the effects of annual and cyclically balanced budgets attempts to control inflation and deflation.

125. Differentiate between internal and external debtor public and private debt.

126. State and describe several common objections to a large national debt.

127. Give the events that were the major cause of a large national debt.

128. Explain the meaning of debt burden.

129. Give the major advantages, if any, of a public debt.

130. Describe the relationship between the national debt and GNP since 1930.

Unit III

Students should:

1. Explain the functions of money.

2. List different items that have been used for money, and to explain the basis of U.S. money.

3. Distinguish between the two types of money we use.

4. Give the major classifications of U.S. currency past and present.

5. Identify the desirable qualities of money in terms of portability, durability, divisibility, acceptability, and controlled issuance.

6. Be able to identify the three alternatives for money.

   (a) Hold it
   (b) To spend on goods
   (c) To lend or invest it

7. Be able to identify, justify and explain why people hold money. (the answer must include the idea that money allows an individual to economize on the cost of exchange)

8. Be able to state and briefly explain the three separate demands for money.

   (a) Transactions
   (b) Precautionary
   (c) Speculative

9. Identify "value in exchange" as meaning "purchasing power," or what money can buy.

10. Recognize that the physical form of money is of little importance in determing purchasing power.

11. Recognize that gold and silver have little effect on the quantity or purchasing power of the United States money supply.

12. Identify checking deposits as being the most important form of money in use in the United States today.

13. Recognize that checking deposits have several advantages over other forms of money in terms of convenience, security, and record keeping.

14. Distinguish between full bodied money and token (fiat) money.

15. Explain the meaning of "redeemable" and "irredeemable" in regard to currency.

16. Define "near-monies."

17. List the most common types of near-monies.

18. Be able to define and identify or give some examples of near monies.

19. Be able to define the term "money supply."

20. Explain the "backing" for our currency.

21. Be able to briefly define each of the following, including some of their primary functions:

    (a) Commercial bank
    (b) Investment bank
    (c) Mutual savings bank
    (d) Savings and loan institution

22. Identify commercial banks as the financial institutions which offer checking account services.

23. Identify the Federal Reserve System as the government agency regulating most commercial bank activity.

24. Identify the purposes of the Federal Reserve System in terms of controlling the supply of money, providing currency, acting as a system clearing house, auditing bank records, and controlling credit conditions.

25. Recognize that reserves in excess of required reserves can be used to extend credit and thereby create demand deposits.

26. Identify the Fed's ability to regulate the amount of required reserves as a method of controlling the supply of checkbook money or demand deposits.

27. Explain the reasoning behind the twelve Federal Reserve Banks

28. Describe the structure and organization of the Federal Reserv System.

29. List and explain the Functions of the Federal Reserve System.

30. Be able to list and explain the 5 functions of the Federal Reserve system.

    (a) Hold member bank reserves
    (b) Furnish currency for circulation
    (c) Clearing and collecting checks
    (d) Supervising member banks
    (e) Acts as fiscal agent for the federal government.

31. Describe the organization and functions of the open-market committee.

32. Describe the organization and function of the Federal Advisory Committee.

33. Given the following glossary of terms, identify the correct definition for each term:

    (a) Asset - property and claims against others.
    (b) Liability - claims others have against you.
    (c) Check - a written order instructing a bank to pay money drawn on a deposit account payable on demand.
    (d) Commercial Bank - a financial institution accepting deposits transferable by check, and performing other financial services.
    (e) Credit - a sum added to an account through deposit.
    (f) Debit - a charge against a bank account deposit.
    (g) Demand Deposit - checking accounts payable upon demand.
    (h) Time Deposit - savings accounts which earn interest but are not subject to withdrawal by check.

34. Identify commercial banks as businesses concerned with the saving, spending, and borrowing activities of the community.

35. Identify lending with interest as the prime earning activity of the commercial bank.

36. Identify required reserves as that portion of demand or time deposits which must be held idle, and cannot be used to extend credit to those who want to borrow.

37. Explain what is meant by reserves, excess reserves, required reserves.

38. Explain the meaning and use of fractional reserves.

39. Explain what is meant by "check clearing" and give the effect on the banks involved.

40. Describe how, and the extent, a commercial bank can create money.

41. Define demand deposits.

42. Distinguish between demand deposits and time deposits.

43. State the effects of the following transactions on a commercial bank's balance sheet:

    (a) a commercial bank making a loan
    (b) a cash deposit in a commercial bank
    (c) a deposit of a check drawn on another bank
    (d) a deposit of a check drawn on the same bank
    (e) the effect of a cash withdrawl.

44. Describe the function of the legal reserve requirement.

45. Given an increase or decrease in the percentage of required reserves that commercial banks must maintain, be able to identify the impact of this change on money and credit condition.

46. Identify a multiple effect of such a change on the entire banking system.

47. Identify open market operations as Federal Reserve activity involving the purchase or sale of assets (government securities) in the open market in order to affect the supply of credit.

48. Given either an open market sale or purchase of government securities by the Fed, be able to identify the immediate impact on bank reserves, and the multiple impact on the banking system.

49. Given such a change in the reserve position of commercial banks, specify the likely effect on bank lending, the money supply, and interest rates.

50. Explain the meaning of adverse clearing balances and the effect it has on a bank's ability to expand credit.

51. Distinguish between the functions of savings banks and commercial banks.

52. Explain the money creating powers of the bank system as a whole.

53. Given the reserve requirement, be able to determine the amount of money the banking system can create.

54. Give some causes of leakages that dampen the money creating potential of the commercial banking system.

55. Explain how the Federal Reserve Board carry out their check clearing function.

56. Define monetary policy.

57. Explain in general how the Federal Reserve is able to effect the level of employment and income.

58. Give a consolidated balance sheet for Federal Reserve Bonds.

59. Give and explain the major "tool" of quantitative monetary controls.

60. Explain the meaning of rediscount rate.

61. Identify the "discount rate" as the interest rate the Fed charges when commercial banks borrow reserves from the Fed.

62. Identify increases in the discount rate as a signal that the Fed would like to restrict credit, and decreases in the discount rate as meaning that the Fed would like to increase the supply of credit.

63. Identify changes in the discount rate as having an effect on the cost of credit to all borrowers.

64. Be able to list and identify and explain the five major weapons of the Federal Reserve in carrying out the functions of a central bank:

    (a) Open Market operations
    (b) Rediscount rate
    (c) Changing reserve requirements
    (d) Selective credit controls (now only stock margin requirements)
    (e) Direct pressure or moral suasion

65. Given the three main policy tools of the Fed, identify the descending order of flexible and effective usefulness to be 1) open market operations, 2) reserve requirement changes 3) discount rate changes.

66. Distinguish between quantitative and qualitative controls.

67. Trace the effect on the supply of money when the Federal Reserve buys or sells government bonds from commercial banks; from individuals.

68. Explain how Reserve Banks' credit can effect the supply of money.

69. Explain the meaning and use of Federal Funds.

70. Define qualitative monetary controls.

71. Give the major qualitative controls and explain how they might effect the level of economic activity.

72. Describe the effect of treasury gold transaction on the supply of money.

73. Describe the use and relative effectiveness of monetary controls.

74. Identify monetary policy as the Fed's use of monetary tools to affect credit conditions and therefore the level of total spending in the economy.

75. Give the equation for the quantity theory of money. MV=Pt.

76. Be able to define the variables in the quantity theory of money

77. Be able to predict changes in any one of the variables of the quantity theory of money given the others.

78. Be able to list and explain the assumptions of the classical model.

    (a) Flexible wages and prices
    (b) S=I at a positive r.

79. Be able to explain in a paragraph how our economy differs from the classical model.

80. Be able to list and explain Keynes' major contributions (departures from the classical theory)

    (a) Consumption function-multiplier
    (b) Liquidity trap-speculative demand for money
    (c) Inflexible wages and prices.

81. Identify the goals of monetary policy to be: price stability economic stability and growth, and full employment of productive resources.

82. Identify any of the following Fed actions to be effective in countering inflation: 1) raising reserve requirements, 2) selling government securities, 3) raising the discount rates.

83. Identify any of the following Fed actions as being appropriat to increase demand to counter a recession: 1) lowering reserve requirements, 2) buying government securities, 3) lowering discount rates.

84. Identify the main effects of monetary policy on the spending components of GNP, and its uneven impact.

85. Identify the limited effectiveness of monetary policy in controlling the level of total spending in the economy.

86. Be able to identify the inverse relationship between the price level and the purchasing power of money.

87. Know and be able to list and explain the three means used in this country to keep banks "safe."

    (a) Regulation of bank formation and activity.
    (b) Formation of the Federal Reserve System.
    (c) Government insurance of deposits.

88. Give some of the shortcomings of monetary policy.

89. Be able to give a brief summary of the record of the F. R. in its attempts to stabilize the economy during the 1930's and after WW II.

90. Explain what is meant by "moral suasion."

91. Be able to identify which of the goals of monetary policy may be conflicting and briefly state why.

92. Given situations where any of the four goals of monetary policy are not being achieved the student will be able to identify the appropriate monetary policy to pursue to achieve the objective. (Changes in the supply of money and/or interest rates, up or down.)

93. Given changing real output, be able to designate the appropriate monetary policy to pursue to maintain a stable price level.

94. Be able to describe the way in which changes in the interest rate will affect investment, and explain why this is so. (Investment is explained in terms of a demand curve for investment, which is negatively sloped.)

95. Summarize the theory of employment graphically, using the aggregate demand--aggregate supply approach. Show in detail how monetary and fiscal policies might affect the various components of aggregate demand.

96. Realize that increased government expenditures on "essential" collective goods switches the emphasis from consumer to citizen sovereignty.

97. Be able to identify criteria for a good tax system as:

    (a) Justice
    (b) Adequacy of yield
    (c) Flexibility of yield
    (d) Stability of yield
    (e) Neutral in effect
    (f) Low cost of administration

98. Be conversant with different philosophies of administrating the tax burden benefit received and ability to pay principle.

99. Be able to analyze various taxes as to the relationship between the tax base and tax rate and classify them as progressive, regressive or proportional.

100. Realize the problem of shifting and incidence of a tax the person who obstensibly pays the tax may shift the burden to someone else.

101. Be able to name and evaluate the major taxes from the critera listed above (personal income tax, corporate income tax, sales, property, special-gas tax, etc.).

102. Be aware of the fiscal plight of state and local governments and suggestion for tax reform such as Heller's revenue sharing plan (the disadvantages of a tax system that does not grow with the economy).

103. Be able to identify economic growth as an increase in per capita GNP over time.

104. Given a list of economic events, be able to identify those which contribute to economic growth.

105. Be able to correctly identify the changes that must take place in the nation's national output, rate of population growth, and per capita output if a higher standard of living is to take place.

106. Be able to identify per capita output measures in terms of the national income accounts.

107. Identify the level of total spending in the economy as a prime determinant of the level of economic activity.

108. Identify total spending as a key determinant of economic growth.

Unit IV.

Student shall:

1. Define economic growth, and relate it to the production possibilities curve.

2. Distinguish between real GNP and real per capita income, and indicate the circumstances under which they are appropriate measures of economic growth.

3. List and explain the major reasons why economic growth is important.

4. State three problems related to measuring economic growth.

5. Explain how "capacity" and capacity utilization have a bearing on economic growth.

6. Differentiate between permissive and implementing factors of economic growth.

7. List four permissive factors and explain how their quantity and quality affect economic growth.

8. List three implementing factors and explain how they affect economic growth.

9. Define demand-pull inflation.

10. Describe cost-push inflation.

11. Describe structural inflation.

12. Explain "productivity rule" as a policy to combat the new inflation.

13. Describe the paradox of the "new inflation."

14. Relate the production possibilities curve to the costs of economic growth.

15. Economic growth requires some resource reallocation. Explain the meaning of this, and give an illustration.

16. Define structural unemployment.

17. Explain how structural unemployment is related to economic growth.

18. Describe the factors that tend to create distressed areas, and explain why a growing economy alone may not resolve the problem.

19. Describe and evaluate some of the proposed remedies for distressed areas.

20. Give arguments for and against accelerating our growth rate.

21. List and explain three policies necessary to accelerate our rate of growth.

22. Give the meaning of social imbalance.

23. Explain why social imbalance is considered an economic problem.

24. Explain Wagner's Law.

25. Give and explain the major factors that affect the expansion of the supply of social goods.

26. Define "underdeveloped nations."

27. Describe some of the problems involved in defining underdeveloped countries.

28. Describe the viewpoint of underdeveloped nations and of advanced nations toward the economic circumstances of underdeveloped nations.

29. Explain the "vicious circle of poverty" and explain why it is difficult to break.

30. Describe the requirements necessary to break the "poverty barrier."

31. Be able to give and define the three stages of economic growth: a) preconditions for take-off, b) take-off, and c) drive to maturity.

32. Be able to give and explain the necessary preconditions for: a) take-off, b) relatively stable govt, c) educable and mobile labor force, d) control over population, e) incentives for efficient work, f) entrepreneurial talent, g) capital (savings), h) natural resources.

33. Explain the meaning of critical minimum effort.

34. Explain the meaning of "population explosion" and how it affects underdeveloped countries economically.

35. Explain "take-off" as it relates to economic growth of underdeveloped economies.

36. Explain the meaning of balanced andunbalanced growth in relation to underdeveloped economies.

37. Describe the programs inaugurated by the United States to aid the underdeveloped nations.

38. Describe the proposed "Key Countries" approach, and give its merits and weaknesses.

ECONOMICS 2

# Principles of Microeconomics

## Specific Behavioral Objectives

## Appropriate to Specify Learning Outcomes in Microeconomics

This set of behavioral objectives was written to serve as, 1) a guide to instruction, 2) a student guide to learning, and, 3) to serve as a basis for evaluation.

Fred A. Thompson
Professor of Economics
Riverside City College
1969 (Second Draft)

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Unit I.

Students should:

1. Define Macroeconomics and Microeconomics.
2. Relate the fallacy of composition to the study of Macro and Micro economics.
3. Relate the Five Fundamental Questions to Macro and Micro economics.
4. Give the characteristics of each of the four basic market models.
5. Contrast pure competition with imperfect competition.
6. Equate the market structures and their characteristics on the buyer's side of the market with those on the seller's side.
7. Explain the meaning and give illustrations of interindustry competition.
8. Describe how geographic location may have a bearing on the degree of competition among firms.
9. Give the determinants of market structures.
10. Explain the role each of the above determinants play in shaping the various market structures.
11. Give firms or industries that illustrate the above.
12. Describe the two outstanding institutional characteristics of the Soviet economy as an example of the command economy.
13. Describe in detail the major problems associated with central planning.
14. Describe the controlling techniques used in the Soviet economy.
15. Identify Input-Output analysis as the primary technique of central planning.
16. Distinguish between gross output, final demand, and intermediate demand in an Input-Output matrix aggregated to the level of sectors.
17. Describe the general structure of the input-output table.

18. Given a change (increase or decrease) in the output of one sector, trace the initial effect on the other sectors.

19. Describe in general further adjustments that would result from above.

20. Describe the role of prices in the command system.

21. Describe the rate and extent of economic growth of the Soviet economy.

22. Describe the major factors that contribute to the Soviet economy's growth rates.

23. Describe the major factors that may result in a slowing down of the growth rate.

24. Describe the major factors that may result in a sustained or increased rate of growth.

25. Compare and contrast the command economy and the market economy in determining or solving the Five Fundamental Questions.

26. Demonstrate that the value of goods in a market economy is expressed in terms of prices.

27. Recognize that two interacting forces determine price, i.e., supply and demand.

28. Define demand.

29. Construct a demand curve from a demand schedule and explain the down slope of the curve.

30. Equate demand in terms of a schedule, a curve, and a mathematical equation.

31. Distinguish between individual demand and aggregate or market demand.

32. Give the determinants of demand and relate them to a single, stationary demand curve.

33. Explain the meaning of "change in demand."

34. Be able to explain how changes in income effect the demand curve.

35. Be able to explain how changes in tastes effect the demand curve.

36. Be able to explain how changes in the prices of complimentary and substitute goods effect the demand curve.

37. Demonstrate on a graph the effect of a change in demand, a change in product price.

38. Explain the meaning of a change in quantity demanded.

39. Define supply.

40. Explain the meaning of a supply schedule.

41. Construct a supply curve from a supply schedule and explain the up slope of the curve.

42. Distinguish between positive and negative curves.

43. Be able to demonstrate the principle of diminishing returns.

44. Identify the basic factors influencing costs of production as the prices of factors of production and technology.

45. Be able to explain and demonstrate how changes in costs of production effect the supply graph.

46. Explain fully the meaning of change in "supply" and change in "quantity supplied," and describe the effect of each on the supply curve.

47. Give the determinants of supply and relate them to a single stationary supply curve.

48. Explain how the interaction of demand and supply determine market price.

49. Define market equilibrium.

50. Explain what is meant by the "rationing function of prices."

51. Describe the effect on market price both verbally and graphically when demand increases or decreases; likewise with changes in supply.

52. Equate the demand and supply concepts to the resource market.

53. Define elasticity of demand.

54. Given a demand schedule, determine the coefficient of demand and give the rules of determining whether demand is elastic, inelastic or unitary.

55. Given a demand schedule, determine the coefficient of elasticity of demand using the original prices and quantity; the final price and quantity and the mid-points formula.

56. Explain in detail the importance of the elasticity concept.

57. Determine the elasticity of demand using the total revenue test.

58. Give the rules for determining elasticity of demand when using the total-revenue test.

59. Give the advantages and disadvantages of the total-revenue test.

60. Give the dangers of using the graphic appearance of the demand curves to determine elasticity.

61. Give the determinants of elasticity of demand.

62. Describe how elasticity of supply is determined.

63. Give the determinants of elasticity of supply.

64. Given a supply schedule calculate the coefficient of elasticity of supply using the original price and quantity; the mid-point formula.

65. Explain and illustrate graphically the effect the time period may have on elasticity of supply.

66. Explain the effect of administrated or legal prices on market equilibrium.

67. Given supply and demand situations, be able to graph in price ceilings and price floors.

68. With price ceilings and floors, be able to indicate prices which will prevail, quantities which will be offered for sale and resulting surpluses or shortages.

69. Be able to give examples of non-monetary discrimination.

70. Be able to give examples of non-monetary discrimination which would be appropriate in given situations. (i.e., that which you would expect to see with given price floors or ceilings in markets for particular products.)

71. Be able to explain what is meant by the all or nothing characteristics of competition by personal characteristics.

72. Be able to explain verbally or show graphically the extent to which price ceilings or floors reduce the reallocation of goods.

73. Be able to define and explain rationing.

74. Be able to explain how rationing attempts to allocate goods and services and in what ways it is or may be ineffective or inequitable.

75. Know and be able to explain the results of effective restrictions on free pricing:

    a. distribution depends more heavily on non-market phenomena.
    b. the realized extent of mutually advantageous exchange is reduced.
    c. wealth is transferred from owners to those who get the goods.

76. Be able to give examples of price floors and price ceilings imposed in our economy.

77. Illustrate the above using a graphic presentation of supply and demand.

78. Explain and illustrate graphically the demand curve, and indicate the degree of elasticity of demand, faced by the individual seller in a purely competitive market structure; in an imperfectly competitive market structure.

79. Define total, average and marginal revenue.

80. Explain and illustrate graphically total, average, and marginal revenue for the purely competitive seller; for imperfectly competitive seller.

81. Explain the meaning of cross elasticity of demand.

82. Explain and give illustrations of "complementary" and "competitive" demands.

83. Explain the meaning of income elasticity.

84. Calculate the coefficients of income and cross elasticity.

85. Explain the significance of the coefficient of income and cross elasticity.

86. Describe some applications of cross and income elasticity.

87. State the law of diminishing marginal utility.

88. Relate diminishing marginal utility to the law of demand.

89. Explain the concept of "budget restraint."

90. Explain the utility-maximizing rule.

91. Predict the changes in demand curves as a result of a change in any one of the following ceteris paribus conditions:

    a. tastes
    b. number of consumers
    c. income of consumers (not just money)
    d. prices of related goods (complements-substitutes)
    e. prices of all other goods
    f. future expectations
    g. technology

92. Given a newspaper article about an economic event or situation write down the assumptions the writer is making about the present conditions of supply and demand.

93. Given a newspaper article about a current economic situation or condition, reduce the writer's statement to one set of demand and supply curves and state verbally whether or not his statements are warranted based on this analysis, and if not, why not.

Optional Unit I Supplement

1. Briefly describe the farm problem both from the long run-- and short run point of view.

2. Give and explain the major causes of the farm problem.

3. Show graphically the cause of the long run farm problem; the short run farm problem.

4. State major arguments present to justify the need for farm aid.

5. Explain the concept of parity.

6. Explain the case of the years 1910 - 1914 as a base period.

7. Describe the price support program and show graphically the results.

8. Describe the major method of disposing of farm surplus and the problems associated with each.

9. Describe the methods of restricting farm production and the problems associated with each.

10. Evaluate the farm programs in terms of its alleviation of basic causes.

11. Describe and evaluate proposed positive programs for agriculture.

12. Be able to construct indifference curves from consumption-substitution ratios and endowments.

13. Be able to list the properties of indifference curves.

14. Be able to draw a unique set of rational indifference curves.

15. Be able to draw in a budget line (budget or income constraint line) from income and price data and find the point of maximum available satisfaction.

16. Be able to construct or identify indifference curves for perfect substitutes or perfect complements.

17. Be able to derive a demand curve for a product from changing price data and a given set of indifference curves.

18. Be able to compute or identify the marginal rate of substitution (y for x) from an indifference curve.

19. Be able to construct the diagram and identify the relative magnitude of income and substitution effects from given indifference curves and price and income data.

20. Be able to explain an indifference curve, what it means, and how it is related to the individual's consumption-substitution ratio.

Unit II

Students should:

1. Define cost in its economic sense.
2. Distinguish between economic costs and accounting costs.
3. Define and give illustrations of explicit and implicit costs.
4. Explain the meaning of normal and pure profits.
5. Given a simple example of alternatives, calculate accounting profits, and economic profits.
6. Define the short run and long run concepts.
7. Given a variety of changes that effect the firm's capacity or utilization of its capacity, state whether they are long run or short run changes.
8. Explain and give an illustration of comparative cost.
9. State and explain the law of diminishing returns.
10. Define and show graphically the breakdown of costs of a firm as they vary with output in both the short run and long run.
11. Convert total cost to average costs or per unit costs.
12. Sketch curves for all costs of the firms.
13. Define marginal costs.
14. Explain why MC cuts ATC and AVC at their minimum points.
15. Given a graph of all cost curves, recognize and label all curves.
16. Describe and graph the firm's long run cost curves.
17. Explain fully the meaning of economy and diseconomy of scale.
18. Explain the basis for the fact that long run costs are all variable.
19. Give the significance of economy and diseconomies of scale.
20. Give the factors that contribute to economy or diseconomy of scale.
21. Given a schedule of price, output and total cost for a competitive firm, determine whether the firm should produce, and if so, at what level.

21. Describe short run profit maximizing, loss minimizing and shut down situations for a competitive firm.

22. Graph total revenue--total cost curves for profit maximizing, loss minimizing and shut down situations for a competitive firm.

23. Describe, verbally and show graphically the marginal analysis of price and output for the competitive firm in the short run.

24. Explain the basis for the MR = MC approach to price and output determination.

25. Sketch cost and revenue curves for profit maximizing, loss minimizing, and shut down situations for the competitive firm in the short run using the MR = MC approach.

26. Given a price, output and cost schedule for above, graph all cost and revenue curves.

27. Given a problem incorporating fixed and variable costs, recognize the short-run profit-maximizing decision.

28. Describe and show graphically the development of the firm's short-run supply curve.

29. Describe and show graphically how the equilibrium price and output is determined for a single firm and for the industry.

30. Explain price and output determination of the competitive firm in the long run.

31. Explain the meaning of the equality of AC, MC, MR and price on a graph representing the competitive firm in the long run.

32. Given a schedule of price, output and cost for a competitive firm in the long run, graph complete cost and revenue curves.

33. Explain why a competitive firm will make only a normal profit in the long run.

34. Show on a graph of price, output, costs and revenues for a competitive firm, and the industry, in the long run, the adjustments that result in the reestablishment of equilibrium price and output.

35. Describe and show graphically the long run supply for a constant cost industry and in an increasing cost industry.

36. Explain why the competitive economy tends to allocate resources efficiently.

37. Explain the significance of P = AC and P = MC.

38. Describe the major shortcomings of a competitive price system.

39. Describe the concept and occurrence of pure monopoly.

40. Describe the factors that would tend to create monopoly power.

41. Be able to define and graph the demand curve facing a natural monopoly.

42. Describe the demand and marginal revenue curves for a monopoly.

43. Given the required schedule, prepare a complete graph of price, output, cost and revenue curves for a monopoly.

44. Sketch a graph of price, output, cost and revenue curves for a monopoly.

45. Determine total profit or loss and profit or loss per unit from 43 above.

46. Discuss some of the commonly held fallacies concerning monopoly pricing.

47. Explain how the monopolist is able to maintain a profit over and above a normal profit in the long run.

48. Explain how monopoly power may result in misallocation of resources.

49. Contrast the possible effect on technological advance in purely competitive versus monopolistic industries.

50. Explain through graphical analysis how a monopolistic firm characteristically will produce in the long run at less than lowest cost and attain an economic profit.

51. Given a schedule of price, output and cost, develop a complete graphic analysis of price and output for a monopolistic firm in the short and long run.

52. Define socially optimum price.

53. Be able to show graphically how a natural monopoly should be regulated, i.e., at what point its price should be set.

54. Be able to identify the point to produce for a firm which is attempting to minimize a loss in the short run.

55. Describe and show graphically the effect on price, output, and profits of a regulated monopoly.

56. Be able to show graphically and explain the significance of the efficiency loss to society of a monopoly.

57. Describe the nonprice competition of a monopolistically competitive firm.

58. Show graphically the possible effects of advertising upon a firm's output and average cost.

59. Present arguments for and against advertising.

60. Cite some of the type of industries that are typically monopolistically competitive.

61. Describe the concept and occurence of monopolistic competition.

62. Describe the demand and marginal revenue curves of monopolistic competition.

63. Sketch a graph of the demand, cost and revenue curves of a monopolistically competitive firm in the short and long run.

64. Given a schedule of price, output and costs, graph the demand, cost and revenue curves of a monopolistically competitive firm in the short run.

65. Determine total profit (or loss) and per unit profit (or loss) from 64 above.

66. Explain the meaning of "monopolistically competitive firms tend to break-even in the long run!"

67. Explain the meaning of "wastes of monopolistic competition."

68. Describe the concept and occurrence of oligopoly.

69. Explain the meaning of collusion, tacit collusion, gentleman's agreement and cartel.

70. Explain the meaning of "mutual interdependence."

71. Describe the demand and marginal revenue curve of an oligopoly and explain how they are derived.

72. Give several illustrationsof industries that are oligopolistic and produce standardized products; that product differentiated products.

73. Explain what is meant by price inflexibility or "sticky prices."

74. Give the meaning and illustrations of multiproduct firms and some of the reasons for producing several or many products.

75. Be able to list and explain the requirements for successful price discrimination.

    a. Two or more prices.
    b. Product which cannot be traded.
    c. Separate demands.
    d. Cheap to distinguish between demanders.
    e. Different elasticities of demand.

76. Given a sellers position, be able to give appropriate means for the seller to apply price discrimination.

77. Be able to reproduce the price discrimination model.

78. Describe some of the reasons multiproduct firms find it difficult to establish prices based on MC=MR concepts.

79. Given a price, output, and cost schedule determine revenue, demand, and cost curves for an oligopoly.

80. Explain in detail the price and output analysis for an oligopoly.

81. Explain the effect on the firm of the MC curve shifting along the vertical portion of the MR curve.

82. Explain cost plus pricing.

83. Describe a restrictive oligopoly and sketch its cost and revenue curves.

84. Describe a progressive oligopoly and sketch its cost and revenue curves.

85. Describe the competitive aspects of oligopolies:
    a. Non-price competition
    b. Degree of product differentiation
    c. Goals of the modern corporation

86. Give the arguments for and against the statement modern oligopolies have both the greater means and a stronger inclination for technological advance.

87. Explain the meaning of countervailing power.

88. Define "monopoly" as it is generally understood in the American economy.

89. Cite and recognize the major provisions of major legislation and policies restricting monopolies.

90. Cite major arguments for and against monopoly.

91. Describe the major legislation and policies promoting monopolies.

92. Discuss the proposition of maintaining the status quo.

93. Discuss the proposition of public regulation and ownership.

Optional Unit II Supplement

General: Students will be familiar with the Linear Programming Model of the firm - the usefulness and economic meaning of the technique.

1. Students will explain the meaning of the following terms, functions, and variables.

   a. Maximize: $f = c_1x_1 + c_2x_2$

   b. Subject to the following constraints:

$$a_{11}x_1 + a_{12}x_2 \leq b_1$$

$$a_{21}x_1 + a_{22}x_2 \leq b_2$$

   c. Nonnegativity conditions:

$$x_1 , x_2 \geq 0$$

2. Students will graph the problem by plotting constraint (b) inequalities and the objective (a) function on $x_1$ and $x_2$ axes

3. Students will identify the set of all feasible programs by shading in the region on the graph representing that set.

4. Given f=N, where N is a positive integer, the student will identify the optional feasible program.

5. For the optional feasible program, students will calculate

   a. The programs $x_1$ and $x_2$ ( output in units by process 1, process 2, and total output).

   b. Total profit (total revenue minus total variable costs).

6. Students will use this algorithmic process (maximizing an objective function subject to constraints)in more general applications where economic problems exist.

Unit III.

Students should:

1. Explain the statement, "resource prices are costs to the firm."
2. Relate the supply and demand for resources to the circular flow diagram.
3. Explain why the pricing of resources tends to be more complex than the pricing of consumer goods.
4. Explain the meaning of "derived demand" and why the demand for resources is a derived demand.
5. Explain the law of diminishing returns and its application to resource pricing.
6. Define "marginal physical product" and "marginal revenue product."
7. Given the number of units of resource used, total product, and product price, determine MPP and MRP.
8. Explain the meaning of "jointly interdependent demand."
9. Define "marginal resource cost."
10. Give the rule for hiring resources and explain the basis for it.
11. Explain why D=MRP.
12. Give the factors that will cause a change in resource demand.
13. Define elasticity of resource demand.
14. Give and explain the determinants of elasticity of resource demand.
15. Define cross elasticity and relate it to resource demand.
16. Give and explain the rule for determining the proportion of various resources that should be used in producing a product.
17. Give and explain the equation for determining best proportion of resource use.
18. Demonstrate 17 above using a graph of the MRP of the resources.
19. State the principle of equi-marginalism.
20. Give the rule for determining the best absolute amounts of various resources to use.

21. Define wages, money wages, and real wages.

22. Recognize that two-thirds of national income is made up of wages and salaries.

23. Describe the major factors that contribute to high productivity of labor in the United States.

24. Describe the relationship over time between output per man hour and real hourly earnings and indicate any special significance it has.

25. Sketch and explain the supply of, and demand for, labor to a single competitive firm and in a competitive market.

26. Distinguish between the competitive model of supply and demand for labor with the monopsonistic model.

27. Given a schedule of quantity, wage rates, and MRP for a monoposonistic labor market, construct a graph of the supply, MRC and MRP.

28. In 27 above explain the significance MRC,s deviation from the supply.

29. Given a graph of the supply and demand for labor, show the effect of an increase in the demand for labor.

30. Give the basic objective of Union and relate it to 29 above.

31. Describe some of the ways Union might increase demand for labor and relate them to the marginal productivity theory of wages.

32. Given a graph of the supply and demand for labor, show the effect of a decrease in the supply of labor.

33. Relate 32 above to the Union's basic goal, and to craft Unionism.

34. Sketch and explain the significance of a graph of the supply and demand for labor with industrial unionism.

35. Sketch and explain the significance of a graph of the supply and demand for labor in a bilateral monopoly labor market.

36. Relate the data on productivity and real wages to the question "Do Unions Raise Wages?"

37. Give the three factors that contribute to wage differentials and explain each.

38. Give reason why an increase in wage rates may not necessarily result in a decrease in the level of employment in a particular firm or industry.

39. Explain why a general wage decrease is not likely to decrease unemployment for the economy as a whole.

40. Give the three general phases of the labor movement in America.

41. Describe the factors that slowed the growth of unionism and the factors that tended to promote the unionism before 1930.

42. Describe the factor that promoted the growth of unionism between 1930 and 1947.

43. Describe the factors that have tended to slow the growth of unionism since 1947.

44. Describe the structure and jurisdiction of the union local.

45. List and briefly describe the major management and major union weapons in labor disputes.

46. The Sherman Act and the Clayton Act were not primarily labor legislation. State the manner in which they were used in regard to labor unions.

47. Give the major prolabor legislation and describe its provisions.

48. Give the major promanagement legislation and describe its provisions.

49. Describe labor "stagnation" and factors that are alleged to contribute to it.

50. Describe the collective bargaining process.

51. What are the major areas that are subject to bargaining?

52. Define the following: closed shop, union or open shop, and agency shop.

53. Describe the steps in the grievance procedure, indicate the level by giving the position of those involved.

54. What is the meaning of "check-off?"

55. Give major arguments against unions, and major arguments for unions.

56. Be able to explain and give examples of the development of substitutes for labor or for the product labor produces because of artifically imposed higher wages.

57. Be able to give, explain and apply the five factors influencing wage differentials in different occupations.

    a. Disagreableness
    b. Constancy of employment
    c. Trust to be reposed
    d. Probability of success

58. Be able to give, explain and apply the four factors which determine a union's ability to raise wages above equilibrium.

    a. Skill level
    b. Capital intensiveness
    c. Elasticity of demand for final product
    d. Elasticity of supply of cooperant factors

59. Distinguish between "rent" as it is commonly understood and "economic rent" or rent as used by the economists.

60. Using the supply and demand concept explain fully how rent in each of the above meanings is determined.

61. Explain the "rationing function" of rent.

62. Explain the "incentive function" of resource prices.

63. Explain why economists consider economic rent a surplus.

64. Describe how rent becomes a cost of production to individual producers.

65. Define interest.

66. Explain the meaning of interest rate.

67. Give and explain the major factors that determine the different rates of interest.

68. Be able to compute the present value (PV) of a single future payment from a PV table.

69. Be able to compute the PV of a stream of future payments from a PV table.

70. Be able to compute the PV of a payment to be made in one year from the PV formula.

$$P = \frac{A}{(1+r)^n}$$

71. Be able to recognize, recreate, and use the PV formula for one year.

72. Be able to equate a PV with a future income stream, given the number of years and the rate of interest, from a PV table.

73. Be able to compute the present value of an irregular stream of future payments from a PV table.

74. Be able to compute the amount to which a deposit will grow at compound interest from a PV table.

75. Be able to compute the PV of a future stream of payments as a result of a capital investment from a PV table and choose the most desirable of alternative investments.

76. Be able to compute the capital value of a capital asset by discounting the future income stream to be produced by that asset.

77. Students will recognize one source of profits (windfall gains) as unanticipated changes in the present value of assets.

78. List and describe the potential sources of loanable funds.

79. List and describe the demand for loanable funds.

80. Distinguish between potential supply of loanable funds and actual supply.

81. Give and explain the reasons households may prefer to hold cash rather than securities.

82. Explain the meaning of "administered price" in reference to interest rates.

83. Explain the rationing effect of interest rates.

84. Explain how marginal productivity enters into the allocation of money capital.

85. Distinguish between "business profits" and "economic profits."

86. Explain why economists have a more limited concept of profit than accountants.

87. Give the justification for economic profits.

88. Explain the meaning of monopoly profits.

89. Explain the role of profits (or losses) in the allocation of resources.

90. Distinguish between partial equilibrium analysis and general equilibrium analysis.

91. Explain and give illustrations of the need for an understanding of general equilibrium analysis.

92. Give and describe the two major areas in which American capitalism has been particularly sucessful.

93. Give and describe the two basic shortcomings of our economy.

94. Describe how income in America is distributed among households

95. Describe the needs of households in terms of level of income.

96. Relate level of income with ability.

97. Sketch and explain the meaning of Lorenz curve.

98. Describe the major factors that tend to create income inequality.

99. Give the arguments for and against income inequality.

100. Describe the extent and incidence of poverty in the United States.

101. List and describe the four major group constituting the poor. (Negroes, farmers, old people, and fatherless families).

102. Differentiate the arguments centered around the question of extending the system of transfer payments. (negative income tax--guaranteed annual wage, etc.)

103. Describe the paradox of the "welfare state."

104. Explain the vicious circle of poverty.

105. Describe the two philosophies regarding the cause of poverty.

106. Assuming that governmental action is necessary in combating poverty, describe and evaluate proposed programs and policies that would tend to alleviate the situation.

107. Give and evaluate arguments against the claim that social imbalance exists; or that it is a problem.

108. Evaluate public spending as a corrective for social imbalance.

109. List and describe possible correctives for social imbalance.

Unit IV.

Students should:

1. Know the meaning of and be able to apply the term production possibility.

2. Be able to identify characteristics of an economy which allows production specialization.

3. Be able to define and give a numerical example of absolute and comparative advantage.

4. Be able to define the three things which give rise to the gains from specialization or division of labor.

    a. dexterity
    b. saving of time
    c. invention.

5. Be able to list some disadvantage of specialization.

6. Given production possibilities for two individuals, Be able to produce the production possibilities frontier for the community. This will include the maximum and minimum production possibilities and the identification of effeciency loss from improper allocation of production.

7. Be able to compute opportunity costs.

8. Explain the meaning and extent of international specializatio

9. Explain the meaning of absolute advantage internationally.

10. Explain the meaning of comparative advantage internationally.

11. Describe, using an illustration, how each of two economies can benefit by trade if they have a comparative advantage.

12. Relate opportunity cost to comparative advantage.

13. Explain how economies gain an absolute or a comparative advantage in the production of products.

14. Student will see the possible gain from trade when presented with a situation involving two parties one of whom is more productive in <u>both</u> of two commodities, where opportunity costs differ.

15. When given a simple two-country two-commodity example, correctly identify the country with the lower opportunity cost in each commodity.

16. When presented with the production possibilities of two areas under conditions of self-sufficiency in two commodities, correctly give the total production possibilities of the two areas in each commodity under conditions of complete specialization, and will be able to identify the "gain from specialization."

17. Show by verbal explanation his qualitative understanding of how trade between two parties based on specialization can be mutually beneficial.

18. Use the above understandings in identifying and explaining the fallacies involved in the argument that low wage countries can always outsell high wage countries.

19. Use the above understandings in identifying and explaining the fallacies involved in the belief that more exports are always good for a country.

20. Be able to distinguish between relatively land intensive, labor and capital intensive commodities and the advantages in production of these commodities according to a nation's factor endowments.

21. Be able to explain how free factor movements can substitute for commodity trade.

22. Be able to define and explain tariffs.

    a. income
    b. protection.

23. Be able to list, explain and refute the five arguments in favor of protective tariffs.

    a. infant industry
    b. military self-sufficiency
    c. increase domestic employment
    d. diversification for stability
    e. protect high wage and high standard of living

24. Be able to give and explain the argument against tariffs and more efficient allocation of resources.

25. Justify the use of tariffs by less developed countries, where:

    a. used to develop promising infant industries; and/or
    b. used to attain diversification.

26. Describe American trade as to volume and commodities.

27. Define foreign exchange.

28. Explain how the supply and demand for foreign currency determines its price.

29. Give an illustration of how the supply of, and demand for, a foreign currency occurs.

30. Display an understanding of the concept exchange rate by expressing the value of the franc in terms of $ when given the value of the $ in terms of franc.

31. Show an understanding of the concept foreign exchange market by listing several sources of (a) the demand and (b) the supply of any particular currency.

32. Further show this understanding by correctly determining the direction of movement of a foreign exchange rate when given a change in one of the supply and demand variables.

33. Further show this understanding by correctly indicating the effect on quantity demanded (or supplied) of a change in the equilibrium rate of exchange.

34. Correctly indicate parallel between free foreign exchange markets and free markets in some other commodity.

35. Explain the meaning of free fluctuating currency and give an illustration.

36. Explain how governments stabilize the price of their currency. Give a graphic illustration.

37. Identify the role of government in regard to foreign exchange markets by explanation or choice of a correct statement indicating what a government or monetary authority would do when faced with a substantial departure from "official" rates.

38. Understand that such stabilization operations by govts. may involve transfers of gold between nations.

39. Define or pick correct definition of "devaluation" of currency.

40. Identify the balance of payments statement as the summary statement of all a country's economic transactions with other areas.

41. Be able to give the major categories of the Balance of Payments and compute an official transactions "deficit."

42. Name some examples of outpayments and receipts important in the U.S. balance of payments.

43. Explain the meaning of, and necessity for, a balance of payments.

44. Explain the meaning of a desirable balance of payments.

45. Explain the meaning of, and need for, settlement transactions.

46. What are the major methods of accomplishing a balance of payments.

47. Explain the major causes of the United States' negative balance in its desirable balance of payments.

48. Describe the condition which must be met if a nation is to be on a gold exchange standard.

49. Explain the advantages and disadvantages of being on a gold standard.

50. Distinguish between currencies used by traders and investors, and currencies held as "official reserves."

51. Define or pick a correct definition of "reserve curriencies"

52. Know what reasons impel some monetary authorities to wish to replace part of their "reserve curriencies" with gold.

53. Understand the extent of the present U.S, commitment to convert the $ to gold - for whom, under what circumstances.

54. Define the contemporary balance of payments problem of the U.S. in terms of:

    a) confidence
    b) liquidity
    c) adjustment

55. Explain the purpose of IMF.

56. Describe the Triffin Plan.

57. Explain the advantages of the following international monetary reform proposals over the present system:

    a) dollar standard
    b) freely fluctuating exchange rates
    c) the "broadened band" with sliding rates

58. Give the causes and effects of the breakdown of world trade in recent decades.

59. Describe the post World War II programs and institutions aimed at rebuilding the world economy.

60. Define tariff.

61. Give and explain the major arguments against free trade.

62. Describe the American and international policies toward free trade.

63. Describe the causes and suggested cures for Americans changing "payments" position.

64. Describe the organization and achievements of the Common Market.

65. Describe the provisions of the Trade Expansion Act of 1962.

66. Enumerate the economic advantages of customs unions and free-trade areas.